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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 22, 2002

APPLICATION OF

UGI ENERGY SERVICES, INC.

CASE NO. PUE-2002-00524

For a license to conduct
business as a natural gas
competitive service provider

ORDER GRANTING LICENSE

On October 11, 2002, UGI Energy Services, Inc. ("UGI" or "the Company"), filed an application with the State Corporation Commission ("Commission") for a license to provide competitive natural gas services. Pursuant to the Rules Governing Retail Access to Competitive Energy Services ("Retail Access Rules"), 20 VAC 5-312-10 et seq., the Company requested authority to serve commercial and industrial customers in the natural gas retail access programs of Washington Gas Light Company ("WGL"), Columbia Gas of Virginia, Inc. ("CGV") and throughout the Commonwealth of Virginia as the Commonwealth opens up to retail access and customer choice. The Company attested in its application that it would abide by all applicable regulations of the Commission as required by 20 VAC 5-312-40 B.

On October 22, 2002, the Commission issued its Order For Notice and Comment. That Order docketed the application, directed UGI to provide notice of its application upon appropriate persons, and invited comments to be filed on the application.

The Company filed proof of this notice on November 4, 2002. No comments on UGI's application were filed.

The Staff filed its Report on November 18, 2002, addressing UGI's technical and financial fitness to provide competitive natural gas services. Staff concluded that UGI possessed the technical competence to perform the services it proposed. Staff did, however, based on the Company's financial statements as of September 30, 2001, question its financial fitness in light of the absence of audited financial statements, a valid surety bond,¹ or some additional evidence of financial fitness. In its report, Staff also indicated that during discussions with the Company, the Company had indicated a preference for using parental guarantees, in lieu of surety bonds whenever possible. Therefore, Staff recommended the Company be granted a license to provide competitive natural gas service subject to the Company providing the Commission evidence that its surety bond is still

¹ In its November 18th report, Staff noted that UGI had provided, in its application, a surety bond payable to the Commission. However Staff noted that the language in the bond seemed to indicate that the bond had expired.

effective or a parental guarantee satisfactory to the Commission.

UGI filed comments to Staff's report on November 21, 2002. The Company's response noted that its financial condition had significantly improved since September 30, 2001, the period of time Staff used in its analysis. The response also indicated that UGI prefers to provide a Guarantee of Performance from its corporate parent, UGI Corporation, as further evidence of its financial fitness. The Company noted that it believed it had reached an agreement with our Staff on the terms of a parental guarantee, and was moving forward to provide an executed parental guarantee to the Commission. In the interim the Company provided a "Continuation Certificate for the Bond" as evidence that the surety bond is in effect through January 31, 2003.

NOW UPON consideration of UGI's application for a license to conduct competitive natural gas services to commercial and industrial retail customers throughout the Commonwealth, the Staff's Report, and the Company's November 21, 2002 comments, including the Continuation Certificate for the surety bond, the Commission is of the opinion and finds that UGI's application should be granted.

Accordingly, IT IS ORDERED THAT:

(1) UGI shall be granted License No. G-16 for the provision of competitive natural gas services to commercial and industrial retail customers in the retail access programs of WGL and CGV and throughout the Commonwealth of Virginia as the Commonwealth opens up to retail access and customer choice subject to the conditions specified in the Staff's November 18, 2002, report.

(2) On or before January 31, 2003, the date the current surety bond expires, the Company shall provide either a corporate guarantee from its parent satisfactory to the Commission or a surety bond acceptable to the Commission. In the event the Company fails to provide a corporate guarantee or a surety bond acceptable to the Commission, License No. G-16 shall expire.

(3) This license is not valid authority for the provision of any product or service not identified within the license itself.

(4) Failure of UGI to comply with the Retail Access Rules, the provisions of this Order, other State Corporation Commission orders and rules, or other applicable state or federal laws may result in an enforcement action by the Commission including, without limitation, the revocation, suspension, or modification of the license granted herein, the refusal to renew such license, the imposition of appropriate fines and penalties, or

such other additional actions as may be necessary to protect the public interest.

(5) This matter shall remain open pending the receipt of the document required by Ordering Paragraph (2) herein, any reports required by the Retail Access Rules, as well as any subsequent amendments or modifications to the license granted herein.